

1. CalSTRS Membership

Membership in the CalSTRS Defined Benefit Program

Membership in the CalSTRS DB Program is generally available to employees of the California public school system, kindergarten through community college, in positions that require a credential, certificate or permit or require the employee to meet minimum standards adopted by the Board of Governors of the California Community Colleges.

Only activities identified as “creditable service” are subject to CalSTRS DB Program coverage. These activities include teaching, vocational or guidance counseling, services related to school curriculum and a variety of administrative duties.

If you are a classroom teacher or are performing other activities that are creditable service, you may be a CalSTRS DB Program member as mandated by law or you may be eligible to elect membership.

Employment performing creditable service in a charter school is subject to coverage only if the charter of the school provides for participation in the CalSTRS DB Program.

Mandatory Membership

If you are employed to perform creditable service on a full-time basis, you will become a CalSTRS DB Program member on the first day of employment.

Full time is defined as the number of days or hours in a school year that the employer requires a “class of employees” to work. For example, under a collective bargaining or employment agreement, an employer might require guidance counselors in a high school to work a specific number of days each school year. Therefore, guidance counselors would constitute a class of employees. (See the Glossary, Section 11, for more information about what constitutes full time and “class of employees.”)

Many teachers and others who perform creditable service are not hired to work full time by an employer. For those who are hired to work less than half-time, CalSTRS offers an alternative retirement plan called the CalSTRS Cash Balance Benefit Program; however, the availability of the CB Benefit Program is optional for employers.

Mandatory CalSTRS DB Program membership requirements vary, depending upon an individual's employment status and whether or not the CalSTRS CB Benefit Program is offered by the employer to their part-time employees.

Please note: Except for Section 8, the programs and benefits described in this handbook refer to the CalSTRS Defined Benefit Program only. For information on CalSTRS Cash Balance Benefit Program, see Section 8.

Employers Who Do Not Offer CalSTRS Cash Balance Benefit Program

In school districts, county offices of education or community college districts that do not offer the CalSTRS Cash Balance Benefit Program, the following mandatory DB Program membership requirements apply:

Employment Status	Mandatory Membership Begins
Hired on part-time hourly basis	First day of pay period following the pay period in which creditable service in one school district, community college district or county superintendent's office is performed for 60 or more hours
Hired on part-time daily basis	Same as above except for 10 or more days
Hired as a substitute	Same as above except for 100 or more complete days during the school year

Employers Who Offer the CalSTRS Cash Balance Benefit Program

In school districts, county offices of education or community college districts that do offer the CalSTRS Cash Balance Benefit Program, the following mandatory CalSTRS DB Program membership requirements apply:

Employment Status	Mandatory Membership Begins
K-12 or community college instructor hired	First day of pay period in which the basis of employment (the employee's contract for employment) changed to 50 percent, or more, of the full-time equivalent for the position
K-12 or community college instructor hired on an hourly/adjunct basis	First day of pay period in which the employee is hired to work more than 50 percent of the full-time equivalent for the position

Part-Time or Substitute Employees Electing Defined Benefit Program Membership

Anyone who performs creditable service in the California public school system is eligible to elect membership in the CalSTRS DB Program.

If you are hired as a substitute or on a part-time basis and your basis of employment does not qualify you for mandatory membership, you may still elect to become a member of the CalSTRS DB Program. Your employer must formally notify you of your right to elect membership in the program.

The election can only be made during a pay period in which you actually performed creditable service and must be made on the appropriate form provided by the employer. The effective date of membership is the first day of the pay period in which the election is made.

Changing Employment to a Different Public Retirement System

Occasionally, teachers or others who perform CalSTRS creditable service change employment to positions that are subject to coverage by another California public retirement system. For example, a

classroom teacher may take a position as a human resources specialist in the district office, a position usually subject to California Public Employees' Retirement System coverage. Or a human resources specialist may decide to take a teaching position, a position usually subject to CalSTRS coverage. When a CalSTRS or CalPERS member changes employment to a position in public schools or in certain education-related state government positions subject to coverage by the other system, he or she will have an opportunity to continue coverage or change to the other system.

The two systems are treated differently for Social Security coverage. CalSTRS members do not participate in Social Security, but CalPERS members do. Members of either system are urged to contact the Social Security Administration at 800-772-1213 to determine how the change will affect any Social Security benefit due the member.

CalSTRS Member Changes to CalPERS Position

If you are a member of the CalSTRS DB Program and become employed by the same or a different school district, community college district or county superintendent of schools or have limited state of California employment to perform service that requires membership in the California Public Employees' Retirement System, you may elect, within 60 days of the date of your new employment, to continue coverage under the CalSTRS DB Program. If you do so, service in your new position normally subject to coverage by CalPERS would be treated as creditable service under the CalSTRS DB Program.

You should remember that the election:

- must be made within 60 days of the date of hire into the new position
- must be done on the appropriate form provided by the employer
- is effective as of the date of hire into the new position
- is irrevocable and applies to all service in that position

CalPERS Member Changes to CalSTRS Position

Certain members of CalPERS who subsequently are employed to perform CalSTRS creditable service can elect within 60 days of their new hire date to continue coverage under CalPERS for all subsequent CalSTRS creditable service. This applies to CalPERS members employed:

- by a school district
- by the Board of Governors of California Community Colleges
- by the state Department of Education as of January 1, 2002, a local or state agency not listed above (only applies to vested CalPERS members)

The election:

- must be made within 60 days of the date of hire into the new position
- must be done on the appropriate form provided by the employer
- is effective as of the date of hire into the new position
- is irrevocable and applies to all service in that position

Information on Both Systems

For a more informed decision, review the benefit information in this handbook, as well as the benefit information booklet provided by CalPERS. Both are available from your employer.

In addition, the CalSTRS brochure *Join CalSTRS? Join CalPERS?* outlines and contrasts the basic benefits of the two systems. For a copy, visit www.calstrs.com, ask your employer or call CalSTRS at 800-228-5453.

Defined Benefit Supplement Program

Each active Defined Benefit Program member has a Defined Benefit Supplement account. Funds are provided to the account from two sources.

One source is one-fourth of each member's monthly CalSTRS contribution, or 2 percent of gross salary. This amount will automatically go into the member's DBS account from January 1, 2001, through 2010. There will be no change in the 8 percent retirement contribution currently withheld from each member's paycheck. Your CalSTRS Defined Benefit retirement benefit will not be affected by the redirection of contributions to your DBS account.

In addition, since July 1, 2002, member and employer contributions have been allocated into the member's DBS account on compensation earned from service in one school year that exceeds one year of service credit. This provision will not end at the end of 2010, as does the redirection of the member contribution described above.

Some members receive special limited-term payments or compensation intended to enhance their DB benefits. Effective July 1, 2002, member and employer contributions on these payments are credited to the DBS accounts.

The funds in the DBS accounts earn interest at a rate set at the beginning of each plan year by the Teachers' Retirement Board, based on the 30-year Treasury rate. At the end of each year, if actual earnings exceed the board-set interest rate, the board may declare an additional earnings credit.

Access to DBS Funds

The amount available at retirement or termination of employment will vary, depending on the member's salary, overtime compensation and the interest the account earns. Annually, each member will receive DBS account information that lists the amounts of contributions and interest in the DBS account as part of the *CalSTRS Annual Statement of Account*.

Funds in the DBS account can be withdrawn only when the member dies, is disabled, retires or one year after terminating CalSTRS-covered service. In addition, a member cannot borrow from his or her DBS account. The member's DBS account beneficiary(ies) will be the same as the member has for his or her Defined Benefit account.

Members can choose to receive the balance of the contributions and interest in their DBS accounts as:

- a lump-sum payment (only choice if receiving a refund)
- a monthly payment if the balance is at least \$3,500 (the following five annuity types are available to distribute payment over your and beneficiary's lifetime, based on option chosen for DB benefit). The Service Retirement application gives full details.
 - a single-life annuity with cash refund
 - a single-life annuity without cash refund

- a 100 percent joint and survivor annuity
- a 50 percent joint and survivor annuity
- a period-certain annuity
- a combination of lump-sum and monthly payment
- partial lump sum

Contributions into the DBS account will not affect your ability to make contributions into a 403(b) or similar tax-deferred savings plan.

Member Contributions

As a member of the CalSTRS DB Program, you must contribute 8 percent of your creditable compensation as defined in the Teachers' Retirement Law.

Contributions are withheld from creditable compensation by payroll deduction and credited to your Defined Benefit and Defined Benefit Supplement accounts (see page 5 for details on your DBS account). Your contributions accrue interest at a rate determined annually by the Teachers' Retirement Board. The current rate is 2.5 percent for DB and 5.25 percent for DBS compounded daily. The rates are valid through June 30, 2004. Your employer can pay all or a portion of member contributions.

“Employer Pick-Up” of Member Contributions

Most employers participate in the “Employer Pick-Up” Program under a provision of the Internal Revenue Code (Section 414[h][2]). The member's contributions to CalSTRS are “picked-up” by the employer for the sole purpose of deferring income taxes on that portion of compensation. The contributions must be deducted from your compensation and are considered creditable compensation for retirement purposes.

These tax-deferred member contributions are credited to your account as “Employer-Paid Member Contributions.” Those contributions are taxable when returned to you or a beneficiary in a lump sum or monthly benefit. For more information on taxes, see Section 9, Tax Information and Legal Issues.

Credited Interest

At the end of each fiscal year, interest is credited to the accumulated contributions and interest in each member's account at the “credited interest rate.” The credited interest rate is adopted annually by the

Teachers' Retirement Board and is currently set at a rate that approximates the yield on two-year Treasury notes.

Interest is credited to members' accounts primarily to provide a lump-sum benefit to those members who terminate all creditable service and withdraw their contributions or to the beneficiaries of members who die without survivors who are eligible for monthly benefits.

As a Defined Benefit Program member, you should understand that your retirement benefit will be calculated using a benefit formula established by law based on your age, years of service credit and final compensation. The amount of total contributions and interest in your Defined Benefit account is not used to calculate either your or your beneficiary's future monthly benefit.

Employer Contributions

The employing school district, community college district or county superintendent of schools contributes an amount equal to 8.25 percent of the creditable compensation paid to every employee who is a member of the CalSTRS DB Program. Employer contributions are not credited to individual member DB accounts but are deposited in the Teachers' Retirement Fund to help fund the benefits payable to all members and their beneficiaries.

State Contributions

The state of California contributes 2.017 percent of the creditable earnings from the fiscal year ending in the prior calendar year. Additionally, the state contributes an amount equal to 2.5 percent of the total creditable compensation paid to all CalSTRS DB Program members during the fiscal year ending in the prior calendar year for the Supplemental Benefit Maintenance Account. This is used to maintain the purchasing power of benefits at prescribed levels.

Service Credit

Service credit is the accumulated period of time, in years and partial years, during which you receive creditable compensation for service as a member of the CalSTRS DB Program. In addition to credit for actual service, you may receive service credit for creditable compensation received for certain employer-approved leaves of absence.

Service credit may also be purchased under certain circumstances. For more information, order the *Purchase Additional Service Credit* brochure at 800-228-5453 or www.calstrs.com.

A member's service credit is one of the factors used to determine eligibility for benefits payable under the CalSTRS DB Program. For example, you must have a minimum of five years of service credit to be eligible for a service retirement benefit.

Service credit is used to calculate your service retirement benefit, as well as the surviving spouse benefit payable under both Coverage A and Coverage B (see Section 7, Survivor Benefits).

You are notified of your accumulated service credit each year when you receive your *Annual Statement of Account*. (See below)

How Service Credit is Calculated

For full-time educators, one year of service credit is earned for teaching one school year. For part-time educators, service credit for one school year is the hours or days actually taught compared to the full-time equivalent. (See Section 8, Part-Time Educators, to see how service credit is calculated for part-time educators.) You cannot receive more than one year of service credit for any one school year.

Full-Time Equivalent

For part-time educators, the hours or days you work are compared to a full-time equivalent, or FTE. The FTE is the time a person who is employed part time would be required to work in a school year if he or she were employed full time in that position. (See Section 8, Part-Time Educators, for specific information about FTE and how it is used to calculate service credit.)

Additional Duties

If you perform additional duties during the year, you will receive service credit in addition to the service credit earned for your normal full-time or part-time position.

You can now receive service credit for summer school and intersession, and activities such as yearbook editor, science club editor, band director and attending staff development days.

Multiple Positions

Some members are employed in multiple part-time or substitute positions for more than one CalSTRS employer during the school year and may earn more than one year of service credit. At the end of the school year, CalSTRS determines if you have service credit in excess of one year. If you do, CalSTRS retains one year of service in your DB account earned at the highest pay rates and credits the member and employer contributions on the service in excess of one year to your DBS account.

Compensation for Excess Service

The compensation for the service in excess of one year is not used in the calculation of your compensation earnable for the school year for final compensation purposes. If your employer adjusts the reported earnings after the school year ends, your DB and DBS accounts may be adjusted in the following year.

Purchase of Additional Service Credit

You may be eligible to purchase service credit for past employment or an approved leave of absence for which CalSTRS retirement contributions were not made. For example, you may be able to purchase service credit for part-time or substitute service in the California public school system before you became a CalSTRS DB Program member. For more information order the *Purchase of Additional Service Credit* brochure at 800-228-5453 or www.calstrs.com

Reduced Workload Program

The CalSTRS Reduced Workload Program was established to allow eligible members of the CalSTRS DB Program to reduce their workload from full time to part time and still receive a full year of service credit, provided all requirements of the program have been fulfilled by the participating member and employer. See page 17, Reduced Workload Program, for participation requirements.

Annual Statement of Account

Every year you receive a combined Defined Benefit and DBS *Annual Statement of Account*, which is one of your most important CalSTRS records. It provides you with information about your retirement account. The statement is distributed by December to

each member who was employed to perform creditable service and is not a retired member or a benefit recipient. The statement of account gives your account status as of June 30 of that year.

The statement is sent to your mailing address as reported to CalSTRS by your employer. If an employer has not provided CalSTRS with a current mailing address, your *Annual Statement of Account* will be forwarded to the appropriate county or district superintendent's office for distribution.

An inactive member (one who has a balance remaining in his or her CalSTRS DB account but did not perform creditable service during the prior school year) will receive an *Annual Statement of Account* if he or she has a current address on file at CalSTRS. An inactive member who has left his or her contributions on deposit and who has not received an *Annual Statement of Account*, should call CalSTRS at 800-228-5453 to request a statement. (Retired members and benefit recipients do not receive a statement.)

Examine your statement carefully each year for accuracy and file it with your important employment or financial records. The following information is included on your statement:

- beginning balances of your service credit and contributions and interest credited on member contributions at the beginning of the period (July 1 of the previous school year)
- ending balances of your service credit and contributions and interest earned on member contributions as of June 30 of the just-completed school year

Information about the just-completed school year, July 1 through June 30, includes:

- interest credited on your accumulated contributions
- service credit you earned
- contributions credited to your DB and DBS Program accounts

The service credit shown on your annual statement of account is based on the creditable compensation and annual compensation earnable reported by your employer(s) to CalSTRS. (See Creditable Compensation, Section 11, Glossary.) The member contributions are the contributions that were reported by your employer(s).

If you believe there is a discrepancy on your annual statement, contact your employer's department that reports your time to CalSTRS.

Data on service credit and contributions received by CalSTRS after June 30 will be included in your next *Annual Statement of Account*. If you have purchased additional service credit or redeposited contributions that were previously refunded, the changes will first appear on the statement of account for the school year during which the final payment was made.

In addition to service credit, contributions, and interest, the annual statement of account provides other key information:

- Explains your Coverage A or Coverage B for disability and survivor benefits
- One-time death benefit recipient(s) (formerly called designated beneficiary)
- Option beneficiary(ies)

Benefit Estimate

Additionally, if you are age 45 or older and have earned at least one full year of service credit, you will receive a statement that will include an estimate of your future service retirement benefit for retirement at age 55 and at age 60.

If you need to call CalSTRS, it will be helpful to have your *Annual Statement of Account* available. Your Social Security number is your CalSTRS identification number.